

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------|---|--------------------|
| THE NOTICE OF PURCHASED GAS |) | CASE NOS. 92-326-B |
| ADJUSTMENT FILING OF EQUITABLE |) | and |
| GAS COMPANY |) | 92-326-C |

O R D E R

On April 12, 1993, the Commission issued its Order in Case No. 92-326 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates on a quarterly basis in accordance with the provisions of the gas cost adjustment ("GCA") clause set forth therein.

On July 1, 1993, Equitable Gas Company, a division of Equitable Resources, Inc. ("Equitable"), filed its quarterly GCA, Case No. 92-326-B, which was to become effective August 1, 1993 and remain in effect until October 31, 1993. On July 30, 1993, the Commission suspended Equitable's proposed rates for 5 months in order to explore the reasonableness of the rates. The Commission issued data requests and received responses from Equitable concerning its proposed adjustments and its purchases from Kentucky West Virginia Gas Company ("Kentucky West").

On October 4, 1993, Equitable filed its quarterly GCA, Case No. 92-326-C, which was to be effective November 1, 1993 and remain in effect until January 31, 1994.

After reviewing the records in these cases and being otherwise sufficiently advised, the Commission finds that:

1. Equitable's notices of July 1, 1993 and October 4, 1993 set out certain revisions in rates which Equitable proposed to place into effect, said rates being designed to pass on to its customers the expected wholesale gas costs from Kentucky West. Equitable's expected gas cost ("EGC") for the quarter beginning August 1, 1993 was \$4.6727 per Mcf. Equitable's EGC for the quarter beginning November 1, 1993 was \$4.5424. Both included a surcharge component of 80.54 cents per Mcf relating to the settlement of Kentucky West Docket No. TQ 89-1-46-000, et al. before the Federal Energy Regulatory Commission ("FERC").

Equitable's continued pricing of gas supply at Kentucky West's GSS-1 rate has been a subject under review in these cases. The Commission has been concerned about the status of Equitable's gas supply arrangements during a time when Kentucky West's other jurisdictional wholesale customers appear to be entering into producer contracts. When Kentucky West no longer performs a merchant function pursuant to FERC's Order 636, all wholesale gas customers will have to arrange for their own supplies of gas. The Commission accepts for now the reasonableness of Equitable's use of Kentucky West's GSS rate for its EGC, but will continue to monitor this rate in comparison to producer contract rates in the area. Equitable's EGC of \$4.5424 should be approved on and after the date of this Order as proposed in Case No. 92-326-C.

2. Equitable's notices set out current quarter actual adjustments to compensate for mismatches in recovery of gas cost by the company through the operation of its gas cost recovery

procedure. Equitable's adjustments should be combined into one current adjustment and corrected for errors. Equitable's current quarter adjustment should be 11.02 cents per Mcf, which excludes an unnecessary correction for the months November 1992 through January 1993 which was initially proposed in both cases. Equitable's total actual adjustment is 15.97 cents per Mcf, which is composed of the current under-recovery plus remaining over- and under-recoveries from previous quarters.

3. Equitable's notices set out current quarter balancing adjustments to reconcile variances from previous actual, refund, and balance adjustments. These adjustments should be combined into a current quarter adjustment of 4.06 cents per Mcf. Equitable's total balancing adjustment is 4.5 cents per Mcf.

4. The combined effect of the above adjustments is Equitable's gas cost recovery ("GCR") rate in the amount of \$4.7471 per Mcf, an increase of 46.73 cents per Mcf from its last approved GCR rate. The increase represents the combined effect of the supplier increase, actual, and balancing adjustments.

5. Equitable's adjustment in rates pursuant to the GCA provisions approved by the Commission in its Order in Case No. 92-326 dated April 12, 1993 is fair, just, and reasonable, in the public interest, and should be effective with final meter readings on and after the date of this Order.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Equitable be and they hereby are denied.

2. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable and are approved effective with final meter readings on and after the date of this Order.

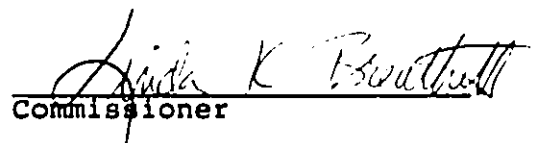
3. Within 30 days of the date of this Order, Equitable shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 9th day of November, 1993.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NOS. 92-326-B AND 92-326-C DATED 11/9/93

The following rates and charges are prescribed for the customers in the area served by Equitable Gas Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

RATES: Monthly

Customer Charge

\$4.45

| | | <u>Base Rate</u> | <u>Gas Cost Recovery Rate</u> | <u>Total Rate</u> |
|----------|---------|------------------|---------------------------------------|-------------------|
| First | 2 Mcf | \$1.0399 | \$4.7471 | \$5.7870 per Mcf |
| Next | 18 Mcf | .8178 | 4.7471 | 5.5649 per Mcf |
| Next | 30 Mcf | .7179 | 4.7471 | 5.4650 per Mcf |
| Next | 50 Mcf | .6290 | 4.7471 | 5.3761 per Mcf |
| All Over | 100 Mcf | .5513 | 4.7471 | 5.2984 per Mcf |

The minimum bill shall be \$4.45.

The above rates include recovery of a Kentucky West Virginia Gas Company surcharge of 61.4 cents per Dth pursuant to the settlement of Docket No. TQ 89-1-46, et. al. before the Federal Energy Regulatory Commission.